

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
D.T.E. 02-55
Responses to DOER'S First Set Of Information Requests

Request No. DOER-1-16:

With regard to Exhibit FGE-BDB-6, please provide all information supporting the following amounts:

- a) Gas Costs = \$ 4.10
- b) 0 – 6 Basis = <-.11>
- c) 5 – 6 Basis = .41
- d) 6 – 6 Basis = .53

Response:

It is FG&E's understanding that the question asked in DOER-1-16 was actually pertaining to Exhibit FGE-DBD-5 and we will respond as though the question were asked in that manner.

As requested by DOER, the numbers in Exhibit FGE-DBD-5 were developed as part of a quick analysis to examine potential supply costs and the resulting price of gas delivered to our city gate. The supply prices are only meant to be representative of potential prices in the different Tennessee Zones.

- a) Gas Costs = \$4.10 - During the time I have been in the gas industry, which is over 12 years, I have seen winter gas cost that are greater than \$9 and less than \$3. For the capacity analysis we were conducting I choose a winter gas price of slightly more than four dollars. It is important to consider that the commodity cost of transporting gas on TGP increases with the cost of gas and the distance which the gas is transported.
- b) 0 – 6 Basis = <-.11> - 0 – 6 Basis means the price relative to the Henry Hub for gas purchased in Tennessee Gas Pipeline (TGP) in Zone 0. Gas in this zone (southern Texas) usually trades at a discount to the NYMEX's Henry Hub. It will swing within a range of -6 to - 14 cents. This is because potential buyers have to incur additional transportation costs to bring the gas to northeast markets. From my previous position as a wholesale marketer I have many contacts on both the supply side and market side of the industry with whom I stay in touch with on a regular basis. I frequently contact those suppliers and marketers to discuss business issues and check on current market conditions. I believe the -.11 may have come from a conversation with an industry associate about the time that this analysis was prepared.

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- c) 5 – 6 Basis = .41 This is an estimated cost for gas that could be purchased in Zone 5 on TGP. Zone 5 is generally the New York and northern Pennsylvania area. It is positive because it reflects the markets estimation of the value of supplying gas that far north of the Hub. Again this number was based on my research and judgement of the market.
- d) 6 – 6 Basis = .53 Zone 6 on the TGP includes most of New England. Again as you move further from the Hub and closer to the market the basis numbers generally increase. However we have seen that the introduction of the new supplies from the Canadian Maritimes have decreased the cost of some supplies delivered into New England. The .53 is an estimated cost based on phone conversations with my industry contacts.

Person Responsible: David B. Daskocil